



Title: Kentucky Rule Amendment - 103 KAR 27:150 & 27:230

Subject: Tax

Summary:

The Kentucky Finance and Administration Cabinet has proposed an amendment to 103 KAR 27:150 and 27:230 regarding taxation of tangible personal property.

The draft rules reference the definition of “extended warranty services” placed in statute by 2018 Kentucky House Bill 487:

services provided through a service contract agreement between the contract provider and the purchaser where the purchaser agrees to pay compensation for the contract and the provider agrees to repair, replace, support, or maintain tangible personal property or digital property according to the terms of the contract if:

- (a) The service contract agreement is sold or purchased on or after July 1, 2018; and
- (b) The tangible personal property or digital property for which the service contract agreement is provided is subject to tax under this chapter or under KRS 138.460;

The rules lay out that the sale of the extended warranty contract sold on or after July 1, 2018 is subject to sales and use tax whereas covered repairs are not.

Additionally, parts used in fulfilling the extended warranty contract may be purchased using a tax exemption resale certificate.

Deductibles charged under an extended warranty contract are taxable, but charges to perform labor repair under the provisions of the provisions of an extended warranty service contract are not subject to sales and use tax where the provided repair parts are covered as part of the contract.

Finally, charges for repair work outside the provisions of an extended warranty service contract are taxable as usual.

For extended warranty contracts sold prior to July 1, 2018, the rules lay out largely the reverse tax structure – tax is paid on the repair but not the sale of the extended warranty.

While we are not tax attorneys, we wanted to make you aware of these draft rules. If you are concerned about how this may affect your business, please consult your tax attorney.

Date Filed: 07/13/2021

Date/Type of Last Action:	07/13/2021	Filed with LRC
	09/14/2021	Deadline to request to be heard at hearing
	09/22/2021	Hearing tentatively scheduled for this date